



**Debt Issuance
CITY OF AUSTIN
RECOMMENDATION FOR COUNCIL ACTION**

**AGENDA ITEM NO.: 120
AGENDA DATE: Thu 06/23/2005
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SUBJECT: Approve an ordinance authorizing a refunding agreement related to the issuance of approximately \$120,500,000 in City of Austin, Texas, Hotel Occupancy Tax Variable Rate Revenue Refunding Bonds, Series 2005; providing for payments through a subordinate lien pledge of both the 2% and 4.5% hotel occupancy tax proceeds; establishing funds and accounts related to the payment of the rate refunding agreement; authorizing the necessary enactment provisions incident and necessary to the agreement, and establishing an effective date.

AMOUNT & SOURCE OF FUNDING: No fiscal impact during Fiscal Year 2004-2005.

FISCAL NOTE: N/A

REQUESTING Financial and **DIRECTOR'S**
DEPARTMENT: Administrative Services - **AUTHORIZATION:** Vickie Schubert
Treasury

FOR MORE INFORMATION CONTACT: John Stephens, Chief Financial Officer, Financial Admin. Services 974-2076

PRIOR COUNCIL ACTION: N/A

BOARD AND COMMISSION ACTION: N/A

Due to current favorable conditions in the municipal bond market, the City's financial advisor, Public Financial Management, Inc., has advised that a refunding of some Hotel Occupancy Tax Revenue bonds may be accomplished at a present value savings of 14.28%, exceeding the City's target guideline of 12.01% for this particular transaction. As of June 2, 2005, the transaction produced \$15,355,171 in present value savings. In order to provide the City with the flexibility to quickly respond to changing market conditions, the proposed ordinance delegates the authority to the Chief Financial Officer to effect the execution of the forward interest rate swap transaction in accordance with the parameters set forth in the ordinance. The authority of the Chief Financial Officer to exercise the authority delegated thereto by the City Council under the ordinance expires on September 22, 2005.

The City will enter into the swap transaction with Lehman Brothers, whereby the City will pay Lehman Brothers a fixed rate and in return Lehman Brothers will pay a variable rate to the City approximating the variable rate the City will pay to bondholders of the City's variable rate bonds which will be sold sometime between June 23, 2005 and September 22, 2005. This transaction, known as an interest rate swap, is the most efficient method of refunding the outstanding bonds, and provides the greatest level of debt service savings.

This item has been posted for not later than 2:00 p.m., in order for Council action to occur prior to the close of the financial markets.